

## Message Text

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PAGE 01 ADDIS 03371 01 OF 02 020448Z  
ACTION AID-59

INFO OCT-01 ISO-00 EB-08 L-03 AGR-01 AF-10 CIAE-00  
INR-10 NSAE-00 PM-05 SP-02 SS-15 NEA-10 /124 W  
-----041006 020515Z /14  
P R 011444Z AUG 78  
FM AMEMBASSY ADDIS ABABA  
TO SECSTATE WASHDC PRIORITY 9250  
INFO AMEMBASSY NAIROBI

C O N F I D E N T I A L SECTION 1 OF 2 ADDIS ABABA 3371

NAIROBI PASS REDSO

E.O. 11652: GDS  
TAGS: EINV, EAID, ET  
SUBJECT: SIGNIFICANCE OF SIGNING UPPER DIDES AID PROJECT  
TO BILATERAL RELATIONS IN GENERAL AND COMPENSATION ISSUE IN  
PARTICULAR

REF: (A) ADDIS ABABA 3354 (B) ADDIS ABABA 3260

BEGIN SUMMARY: SIGNING OF UPPER DIDES AID PROJECT ON JULY 31  
WOULD SEEM TO INDICATE LESSENING ETHIOPIAN SUSPICION OF US  
MOTIVES AND INCREASING WILLINGNESS TO LET AMERICANS BECOME  
ASSOCIATED WITH RURAL DEVELOPMENT GOALS. AT CEREMONY AM-  
BASSADOR STRESSED NEED TO REMOVE COMPENSATION ISSUE IN  
ORDER TO CONTINUE AND TO INCREASE ECONOMIC ASSISTANCE IN  
AREAS ACCEPTABLE TO BOTH COUNTRIES, AND ETHIOPIAN PLANNING  
COMMISSIONER SHOWED WILLINGNESS TO DISCUSS COMPENSATION  
PROBLEM. SIGNING WAS ANOTHER LONG-AWAITED, IF SMALL,  
PLUS IN OUR OVERALL RELATIONS AND MAY INDICATE ETHIOPIAN  
WILLINGNESS TO TAKE UP COMPENSATION ISSUE SERIOUSLY WITH US.  
END SUMMARY.

1. AS REPORTED REFTL (A) AMBASSADOR SIGNED UPPER DIDESSA  
PROJECT WITH PMGSE PLANNING COMMISSIONER AND MINISTER OF  
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PAGE 02 ADDIS 03371 01 OF 02 020448Z

AGRICULTURE ON JULY 31. IT WILL BE RECALLED THAT THIS PROJECT  
WAS READY FOR SIGNATURE LAST NOVEMBER, BUT PMGSE STALLED  
REPEATEDLY. IN BEGINNING, THEY GAVE BUREAUCRATIC REASONS FOR  
DELAY, BUT BY MARCH HAD ADMITTED, AT LEAST IMPLICITLY, THAT  
POLITICAL DECISION HAD BEEN TAKEN AT DIRG LEVEL TO DELAY  
SIGNING PROJECT INDEFINITELY WITHOUT TURNING IT DOWN OUT-  
RIGHT. ONLY DISASTER RELIEF AND REHABILITATION PROJECTS COULD

MOVE AHEAD, IT APPEARED, PARTIALLY BECAUSE OF RELIEF COMMISSIONER'S INDEPENDENCE AND DYNAMISM, BUT ALSO BECAUSE RECEIVING RELIEF FROM "WESTERN IMPERIALISTS" WAS LESS COSTLY POLITICALLY THAN DEVELOPMENTAL AID.

2. NOT SIGNING UPPER DIDESA BECAME SYMBOLIC OF PMGSE SUSPICIONS OF USG, NOT ONLY BECAUSE OF DIFFERENT POLITICAL SYSTEMS AND PERCEIVED LACK OF SUPPORT IN ITS DEFENSIVE WAR AGAINST SOMALIA, BUT ALSO BECAUSE ETHIOPIANS FEARED WE WOULD PULL RUG OUT FROM UNDER THEM IN IDLIS ON BOTH HUMAN RIGHTS AND COMPENSATION GROUNDS. BECAUSE OF LACK OF PROGRESS IN GETTING UPPER DIDESA SIGNED, EMBASSY/USAID PROPOSED AND WASHINGTON AGREED IN JUNE TO SET JULY 31 DEADLINE FOR SIGNING PROJECT. IT WAS, THEREFORE, SIGNED JUST HOURS BEFORE EXPIRATION DATE.

3. FIRST HINT THAT PMGSE MIGHT BE PREPARED TO GO AHEAD WITH SIGNING UPPER DIDESA PROJECT WITHIN CONTEXT OF ITS DESIRE FOR IMPROVING BILATERAL RELATIONS CAME DURING JULY 10 MEETING BETWEEN ACTING MINISTER OF FOREIGN AFFAIRS AND AF/E DIRECTOR-DESIGNATE. THIS WAS CONFIRMED BY RAPIDITY WITH WHICH PMGSE INFORMED USAID THAT IT HAD DECIDED TO GO AHEAD WITH SIGNING ON THE AFTERNOON FOLLOWING THE AMBASSADOR'S PRESENTATION OF CREDENTIALS TO CHAIRMAN MENGISTU. IT WILL BE RECALLED THAT AMBASSADOR HAD BY THAT TIME ALREADY MENTIONED SEPARATELY TO ACTING FOREIGN MINISTER AND TO CHAIRMAN THE NEED FOR NEGOTIATIONS ON PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION  
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PAGE 03     ADDIS 03371 01 OF 02 020448Z

FOR NATIONALIZED AMERICAN ASSETS IF WE ARE TO BE ABLE TO GO AHEAD WITH HELPING PMGSE TO HELP ITS POOREST OF POOR, I.E., THE VAST MAJORITY OF PEASANTS. THEREFORE, PMGSE DECISION TO SIGN UPPER DIDESA JUST UNDER THE WIRE WAS TAKEN IN THE LIGHT OF REPEATED EMPHASIS ON THE COMPENSATION ISSUE AS ESSENTIAL TO A LONG TERM ECONOMIC AID RELATIONSHIP.

4. DURING SIGNING CEREMONY, AMBASSADOR STRESSED OUR DESIRE TO HELP PMGSE MEET THOSE GOALS ON WHICH WE CAN AGREE, PARTICULARLY AS REGARDS IMPROVED AGRICULTURAL PRODUCTION AND QUALITY OF LIFE FOR MASSES OF PEASANTRY. UNLIKE AID FROM "CERTAIN OTHER COUNTRIES", OUR WAS ON A GRANT, NOT SALE OR LOAN BASIS, AMBASSADOR ADDED. SIGNING OF PROJECT, HE SAID, INDICATED TO US THAT PMGSE IS NOT RELUCTANT TO ACCEPT OUR ASSISTANCE IN FIELDS OF ECONOMIC AND SOCIAL DEVELOPMENT AND THAT IT DOES DESIRE BETTER RELATIONS. HOWEVER, HE STRESSED, ETHIOPIANS WILL HAVE TO HELP US IF THAT IS WHAT THEY WANT. IN ORDER TO GO FORWARD WITH OTHER DEVELOPMENT PROJECTS -- AND WE HOPE THERE WILL BE MANY -- ETHIOPIAN GOVERNMENT WILL HAVE TO DEMONSTRATE THAT IT IS WILLING TO MOVE AHEAD WITH NEGOTIATIONS FOR PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION OF NATIONALIZED AMERICAN PROPERTIES IN ETHIOPIA.

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PAGE 01 ADDIS 03371 02 OF 02 020439Z  
ACTION AID-59

INFO OCT-01 ISO-00 EB-08 L-03 AGR-01 AF-10 CIAE-00  
INR-10 NSAE-00 PM-05 SP-02 SS-15 NEA-10 /124 W  
-----040969 020516Z /14

P R 011444Z AUG 78  
FM AMEMBASSY ADDIS ABABA  
TO SECSTATE WASHDC PRIORITY 9251  
INFO AMEMBASSY NAIROBI

C O N F I D E N T I A L SECTION 2 OF 2 ADDIS ABABA 3371

NAIROBI PASS REDSO

5. PLANNING COMMISSIONER AND MINISTER OF AGRICULTURE MADE NO COMMENT ON COMPENSATION AT THAT TIME, BUT LATER PLANNING COMMISSIONER MENTIONED TO ACTING USAID DIRECTOR THAT HE WOULD BE WILLING TO DISCUSS COMPENSATION ISSUE DIRECTLY WITH AMBASSADOR, INCLUDING KALAMAZOO SPICE EXTRACTION COMPANY CASE. THIS IS SECOND EXAMPLE OF PMGSE'S STEPPING BACK FROM ITS EARLIER RIGID POSITION THAT DISCUSSIONS ON INDIVIDUAL CASES CAN BE HELD ONLY BETWEEN NATIONALIZED COMPANY AND COMPENSATION COMMISSION, NOT BETWEEN GOVERNMENTS. (FIRST WAS WHEN ACTING FOREIGN MINISTER TOOK AMBASSADOR'S PROPOSAL CONCERNING KALAMZOO SPICE CLAIM, CHARACTERIZED IT AS "GENEROUS GESTURE," AND PROMISED TO TAKE IT UP WITH OTHER COMPETENT AUTHORITIES.)

6. IT IS PREMATURE TO PREDICT OUTCOME OF OUR EFFORTS TO MAKE REAL PROGRESS TOWARD RESOLVING COMPENSATION PROBLEMS, BUT IT IS NOTEWORTHY THAT PMGSE OFFICIALS AMBASSADOR HAS TALKED TO HAVE NOT EXPRESSED ANNOYANCE OR EVEN A DEAF EAR, AS WAS THE CASE GENERALLY IN THE PAST. IN ANY EVENT, EMBASSY FEELS THAT SIGNING OF UPPER DIDESA IS ONE STEP FORWARD IN IMPROVING RELATIONS IN GENERAL AND, PERHAPS, TOWARD REMOVING ONE OF THE MAJOR OBSTACLES TO THAT OVERALL IMPROVEMENT. IT MAY ALSO REFLECT DECISION BY PMGSE TO GIVE HIGHER PRIORITY TO DEVELOPMENTAL AFFAIRS AND A REALIZATION THAT LITTLE CAN BE  
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PAGE 02 ADDIS 03371 02 OF 02 020439Z

EXPECTED FROM ITS COMMUNIST ALLIES -- AT LEAST ON A GRANT  
BASIS - OVER THE LONG HAUL.  
CHAPIN

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## Message Attributes

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**To:** STATE  
**Type:** TE  
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Sheryl P. Walter  
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